

Emnambithi / Ladysmith Municipality



Annual Financial Statements 2006 / 2007



EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2007

I am responsible for the preparation of these financial statements, which are set out on pages 3 to 34, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

NJ Mdakane
Municipal Manager

Date

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

| | Note | 2007 R | 2006 R |
|--|------|--------------------|--------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 181,035,798 | 159,860,744 |
| Housing Development Fund | 1 | 9,546,693 | 7,199,726 |
| Capital Replacement Reserve | | – | – |
| Capitalisation Reserve | | 29,851,582 | 34,155,283 |
| Government Grant Reserve | | 72,608,562 | 69,288,611 |
| Donations and Public Contribution Reserves | | 101,907 | 135,907 |
| Accumulated Surplus/(Deficit) | | 68,927,054 | 49,081,217 |
| Non-Current Liabilities | | 19,617,509 | 22,485,418 |
| Long-Term Liabilities | 2 | 19,617,509 | 22,485,418 |
| Current Liabilities | | 79,566,650 | 67,554,188 |
| Consumer Deposits | 3 | 5,963,331 | 5,807,260 |
| Provisions | 4 | – | – |
| Creditors | 5 | 32,627,734 | 31,096,784 |
| Unspent Conditional Grants and Receipts | 6 | 38,096,065 | 27,137,005 |
| VAT | 7 | – | – |
| Current Portion of Long-Term Liabilities | 2 | 2,879,520 | 3,513,139 |
| Total Net Assets and Liabilities | | 280,219,957 | 249,900,350 |
| ASSETS | | | |
| Non-Current Assets | | 173,760,055 | 141,040,952 |
| Property, Plant and Equipment | 8 | 173,760,055 | 141,040,952 |
| Investments | 9 | – | – |
| Long-Term Receivables | 10 | – | – |
| Current Assets | | 106,459,902 | 108,859,399 |
| Inventory | 11 | 1,253,374 | 1,033,028 |
| Consumer Debtors | 12 | 50,099,521 | 49,172,934 |
| Other Debtors | 13 | 12,258,550 | 10,757,787 |
| VAT | 7 | 614,601 | 479,872 |
| Current Portion of Long-Term Debtors | 10 | 191,852 | 231,382 |
| Call Investment Deposits | 14 | 41,026,672 | 26,788,002 |
| Bank Balances and Cash | 15 | 1,015,334 | 20,396,394 |
| Total Assets | | 280,219,957 | 249,900,350 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30th JUNE 2007

| Budget | | | | Actual | |
|--------------------|-------------|---|------|-------------|-------------|
| 2006 R | 2007 R | | Note | 2007 R | 2006 R |
| REVENUE | | | | | |
| 72,883,181 | 78,264,980 | Property Rates | 16 | 80,157,188 | 73,623,507 |
| 6,600,000 | 6,675,282 | Property Rates – Penalties imposed and Collection Charges | | 6,306,086 | 5,311,316 |
| 92,604,585 | 98,013,509 | Service Charges | 17 | 93,827,095 | 90,135,388 |
| – | 140,434 | Interest Earned – External Investments | | 1,708,015 | 1,826,302 |
| 2,280,000 | 2,276,366 | Interest Earned – Outstanding Debtors | | 2,123,201 | 2,243,638 |
| 2,796,600 | 2,134,846 | Fines | | 3,095,037 | 3,130,025 |
| 2,605,100 | 3,371,802 | Licences and Permits | | 3,822,440 | 3,229,938 |
| 33,104,760 | 38,460,747 | Government Grants and Subsidies | 18 | 82,959,295 | 80,150,944 |
| 7,223,150 | 11,183,461 | Other Income | | 4,987,760 | 4,817,347 |
| – | – | Public Contributions, Donated Property, Plant and Equipment | | – | – |
| – | – | Gains on Disposal of Property, Plant and Equipment | | – | 430,000 |
| 220,097,376 | 240,521,427 | Total Revenue | | 278,986,117 | 264,898,405 |
| EXPENDITURE | | | | | |
| 47,907,701 | 36,805,163 | Employee Related Costs | 19 | 42,213,350 | 45,961,882 |
| 6,659,689 | 8,188,968 | Remuneration of Councillors | 20 | 8,191,754 | 5,176,654 |
| 12,680,480 | 11,219,907 | Bad debts / Indigency | | 10,512,486 | 11,180,480 |
| 3,019,645 | 2,883,695 | Depreciation | | 17,506,123 | 16,721,724 |
| 19,834,320 | 22,952,373 | Repairs and Maintenance | | 8,252,271 | 3,992,461 |
| 4,944,004 | 2,586,219 | Interest Paid | 21 | 2,514,716 | 1,667,473 |
| 50,436,535 | 50,945,190 | Bulk Purchases | 22 | 50,540,919 | 48,035,526 |
| 26,324,058 | 27,291,154 | Grants and Subsidies paid | 23 | 28,821,055 | 26,306,255 |
| – | – | Grant Expenses | | 35,949,541 | 31,453,396 |
| 37,731,507 | 55,144,082 | General Expenses | | 38,907,961 | 35,920,504 |
| – | – | Loss on Disposal of property, Plant and Equipment | | – | – |
| 209,537,939 | 218,016,751 | Total Expenditure | | 243,410,175 | 226,416,355 |
| 10,559,437 | 22,504,676 | SURPLUS/(DEFICIT) FOR THE YEAR | | 35,575,942 | 38,482,050 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

| | Housing Development Fund | Capital Replacement Reserve | Capitalisation Reserve | Government Grant Reserve | Donations and Public Contribution Reserve | Accumulated Surplus/ (Deficit) | Total |
|--|--------------------------------|-----------------------------------|---------------------------|--------------------------------|--|--------------------------------------|--------------------|
| | R | R | R | R | R | R | R |
| 2006 | | | | | | | |
| Balance at 1 July 2005 | 10,852,224 | - | 38,514,835 | 55,415,092 | 169,907 | 23,478,254 | 128,430,312 |
| Surplus/(deficit) for the year | - | - | - | - | - | 38,482,050 | 38,482,050 |
| Prior Year Adjustments | - | - | - | - | - | -3,399,120 | -3,399,120 |
| Transfer to CRR | - | 19,969,317 | - | - | - | -19,969,317 | - |
| Property, plant and equipment purchased | - | -19,969,317 | - | - | - | 19,969,317 | - |
| Capital grants used to purchase PPE | - | - | - | 22,616,460 | - | -22,616,460 | - |
| Grants used for Non-Council Assets – LED / Housing | - | - | - | - | - | - | - |
| Donated/contributed PPE | - | - | - | - | - | - | - |
| Transfer to Housing Development Fund | -3,652,498 | - | - | - | - | - | -3,652,498 |
| Asset disposals to District Municipality | - | - | - | - | - | - | - |
| Offsetting of depreciation | - | - | -4,359,552 | -8,742,941 | -34,000 | 13,136,493 | - |
| Balance at 30 June 2006 | 7,199,726 | - | 34,155,283 | 69,288,611 | 135,907 | 49,081,217 | 159,860,744 |
| 2007 | | | | | | | |
| Balance at 1 July 2006 | 7,199,726 | - | 34,155,283 | 69,288,611 | 135,907 | 49,081,217 | 159,860,744 |
| Surplus /(deficit) for the year | - | - | - | - | - | 35,575,942 | 35,575,942 |
| Prior Year Adjustments | - | - | - | - | - | -16,306,593 | -16,306,593 |
| Transfer to CRR | - | 26,215,746 | - | - | - | -26,215,746 | - |
| Property, plant and equipment purchased | - | -26,215,746 | - | - | - | 26,215,746 | - |
| Capital grants used to purchase PPE | - | - | - | 12,457,853 | - | -12,457,853 | - |
| Grants used for Non-Council Assets – LED / Housing | - | - | - | - | - | - | - |
| Donated/contributed PPE | - | - | - | - | - | - | - |
| Transfer to Housing Development Fund | 2,346,967 | - | - | - | - | - | 2,346,967 |
| Asset disposals to District Municipality | - | - | - | -407,262 | - | - | -407,262 |
| Offsetting of depreciation | - | - | -4,303,701 | -8,730,640 | -34,000 | 13,034,341 | -34,000 |
| Balance at 30 June 2007 | 9,546,693 | - | 29,851,582 | 72,608,562 | 101,907 | 68,927,054 | 181,035,798 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 R | 2006 R |
|---|------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 292,370,688 | 244,710,901 |
| Cash paid to suppliers and employees | | -241,336,492 | -224,592,742 |
| Cash generated from/(utilised in) operations | 24 | 48,913,545 | 20,118,159 |
| Interest received | | 3,831,216 | 4,069,940 |
| Interest paid | | -2,514,716 | -1,667,473 |
| NET CASH FROM OPERATING ACTIVITIES | | <u>50,230,046</u> | <u>22,520,626</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | -52,066,510 | -55,003,565 |
| Proceeds on disposal of property, plant and equipment | | - | - |
| (Increase)/decrease in investment properties | | - | - |
| (Increase)/decrease in non-current receivables | | 39,531 | 1,559,870 |
| (Increase)/decrease in non-current investments | | - | - |
| (Increase)/decrease in call investment deposits | | -14,238,670 | 30,541,031 |
| NET CASH FROM INVESTING ACTIVITIES | | <u>-66,265,650</u> | <u>-22,902,664</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New loans raised/(repaid) | | -3,501,527 | 19,891,919 |
| Increase/(decrease) in consumer deposits | | 156,071 | 606,157 |
| NET CASH FROM FINANCING ACTIVITIES | | <u>-3,345,456</u> | <u>20,498,076</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>-19,381,059</u> | <u>20,116,038</u> |
| Cash and cash equivalents at the beginning of the year | | 20,396,394 | 280,356 |
| Cash and cash equivalents at the end of the year | 25 | 1,015,334 | 20,396,394 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;

General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

| | |
|----------|--|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GAMAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GAMAP 6 | Consolidated Financial Statements and Accounting for Controlled Entities |
| GAMAP 7 | Accounting for Investments in Associates |
| GAMAP 8 | Financial Reporting of Interests in Joint Ventures |
| GAMAP 9 | Revenue |
| GAMAP 12 | Inventories |
| GAMAP 17 | Property, Plant and Equipment |
| GAMAP 19 | Provisions, Contingent Liabilities and Contingent Asset |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies is disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

5. RESERVES (Continued)

5.2 Capitalisation Reserve (Continued)

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for 2006/2007 financial year due to the exemption granted in Gazette 30013. No impairment losses have been recognised in the 2006/2007 financial year also due to the exemption granted in Gazette 30013. Included in property, plant and equipment are items that may meet the definition of investment property or inventory, but have been included as PPE because the municipality has not finalised the process of identifying investment property or inventory for reporting purposes. These items will be transferred once identified and in the meantime exemption has been granted in terms of Gazette 30013.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

| <u>DETAILS</u> | <u>YEARS</u> | <u>DETAILS</u> | <u>YEARS</u> |
|------------------------------|--------------|------------------------------------|--------------|
| <i>Infrastructure</i> | | <i>Other</i> | |
| Roads and Paving | 10 – 30 | Buildings | 30 |
| Pedestrian Malls | 20 | Specialised Vehicles | 3 – 20 |
| Electricity | 20 – 30 | Other Vehicles | 3 – 20 |
| Water | 15 – 20 | Office Equipment | 5 – 7 |
| Sanitation | 15 – 20 | Furniture and Fittings | 10 |
| Housing | 30 | Watercraft | 15 |
| | | Bins and Containers | 5 – 10 |
| <i>Community</i> | | Specialised Plant and Equipment | 5 – 15 |
| Buildings | 30 | Other Items of Plant and Equipment | 5 – 15 |
| Recreational Facilities | 20–30 | Landfill sites | 15 |
| Security | 3 – 5 | | |
| | | | |

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets with a value of less than R20 000 are not capitalised, but kept in a subsidiary asset register.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 13 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7. INVESTMENTS

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. TRADE RECEIVABLES / DEBTORS

Trade receivables / debtors are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

10. TRADE PAYABLES / CREDITORS

Trade payables / creditors are stated at their nominal value.

11. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

11.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

11. REVENUE RECOGNITION (Continued)

11.1 Revenue from exchange transactions (Continued)

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

11.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of such items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

EMNAMBITHI / EMNAMBITHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

20. EMPLOYEE BENEFITS

20.1 Pension obligations

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds, SALA and GEPF all of which were found to be in sound financial state when the most recent statutory actuarial valuations thereof were carried out. The valuations are projected on the unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportionate basis to all participating municipalities.

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

Natal Joint Superannuation & Retirement Funds and GEPF are defined benefit funds. The Natal Joint Provident Fund and SALA are defined contribution funds.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

20. EMPLOYEE BENEFITS (Continued)

20.2 Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, will be charged or credited to income over the expected average remaining working lives of the relevant employees. Independent qualified actuaries will be used to value these obligations annually.

21. INTANGIBLES

Rights consist of servitudes. Rights are not depreciated as they have an indefinite useful life.

22. TAXATION

The Emnambithi / Ladysmith Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | 2006 R |
|---|-------------------|-------------------|
| 1. HOUSING DEVELOPMENT FUND | | |
| Housing Development Fund | 9,546,693 | 7,199,726 |
| Unappropriated Surplus/(Deficit) | -37,577,809 | -39,924,776 |
| Loans extinguished by Government on 1 April 1998 | 47,124,502 | 47,124,502 |
| The Housing Development Fund is represented by the following assets and liabilities | | |
| Property, plant and equipment | - | - |
| Housing selling scheme loans | -458,017 | 684,692 |
| Housing rental debtors | - | - |
| Bank and cash | 10,004,710 | 6,515,035 |
| Sub-total | 9,546,693 | 7,199,726 |
| Creditors | - | - |
| Total Housing Development Fund Assets and Liabilities | 9,546,693 | 7,199,726 |
| 2. LONG-TERM LIABILITIES | | |
| Loans | 22,485,418 | 25,971,842 |
| Receiver of Revenue – Housing Debtors | 11,611 | 26,714 |
| | 22,497,029 | 25,998,556 |
| Less : Current portion transferred to current liabilities | -2,879,520 | -3,513,139 |
| – Loans | -2,879,520 | -3,513,139 |
| Total External Loans | 19,617,509 | 22,485,418 |
| Refer to Appendix A for more detail on long-term liabilities. | | |
| 3. CONSUMER DEPOSITS | | |
| Electricity | 5,963,331 | 5,807,260 |
| Total Consumer Deposits | 5,963,331 | 5,807,260 |
| Interest is not paid on Consumer Deposits | | |
| Guarantees held in lieu of Electricity Deposits | 2,708,943 | 2,714,193 |
| 4. NON – CURRENT PROVISIONS | | |
| Provision for reclamation of refuse landfill site | - | - |
| Provision for post-retirement employee benefits | - | - |
| | - | - |
| <i>Refuse Landfill Site</i> | | |
| In terms of the licencing of the landfill refuse site, Council will incur rehabilitation costs to restore the site at the end of its useful life. The Municipality has not reviewed the useful life of the refuse landfill site at this stage and thus a provision has not been made. This is also due to the application of an exemption granted in Gazette 30013. | | |
| <i>Post-Retirement Employee Benefits</i> | | |
| Provision for healthcare benefits for employees retiring has not been made at this stage, due to the application of an exemption granted in Gazette 30013. | | |
| 5. CREDITORS | | |
| Trade Creditors | 4,234,688 | 3,790,433 |
| Sundry Creditors | 18,128,329 | 16,514,616 |
| Deposits : Other | 1,809,789 | 1,087,392 |
| Payments Received In Advance | 200 | -200 |
| Other Creditors | 102,601 | 101,199 |
| Staff Leave | 3,634,054 | 3,770,000 |
| Payments Received in Advance i.r.o. Service Debtors | 4,718,074 | 5,833,345 |
| Total Creditors | 32,627,734 | 31,096,784 |
| Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement. | | |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Municipal Infrastructure Grants (MIG)

Provincial Local Economic Development (LED Projects)

Housing Projects

Other Grants and Subsidies

38,096,065 **27,137,005**

1,796,236 361,471

288,346 -36,007

28,902,544 22,408,866

7,108,939 4,402,675

Total Conditional Grants and Receipts

38,096,065 **27,137,005**

7. VAT

Vat Payable / (Receivable)

-614,601 **-479,872**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2007

| Reconciliation of Carrying Value | Infrastructure R | Community R | Heritage R | Other R | Land R | Total R |
|--|---------------------|-------------------|----------------|-------------------|-------------------|--------------------|
| Carrying values at 1 July 2006 | 86,606,865 | 21,651,844 | 604,356 | 22,252,309 | 9,925,577 | 141,040,951 |
| Cost | 232,452,702 | 32,306,774 | 604,356 | 67,627,290 | 9,925,577 | 342,916,698 |
| Accumulated impairment | - | - | - | - | - | - |
| Accumulated depreciation | -145,845,836 | -10,654,930 | - | -45,374,981 | - | -201,875,747 |
| Acquisitions | 28,707,340 | 1,925,517 | 604,356 | 14,119,598 | 6,709,700 | 52,066,510 |
| Capital under Construction | - | - | - | - | - | - |
| Depreciation | -13,073,015 | -1,084,142 | - | -3,348,966 | - | -17,506,123 |
| Impairment loss-recognised/reversed | - | - | - | - | - | - |
| Carrying value of disposals | -412,600 | - | - | -729 | -823,600 | -1,236,928 |
| Cost/revaluation | - | - | - | -1,563 | -823,600 | -825,163 |
| Accumulated depreciation | -412,600 | - | - | 834 | - | -411,765 |
| Carrying values at 30 June 2007 | 101,828,591 | 22,493,219 | 604,356 | 33,022,213 | 15,811,677 | 173,760,055 |
| Cost | 261,160,041 | 34,232,291 | 604,356 | 81,745,326 | 15,811,677 | 393,553,690 |
| Accumulated depreciation | -159,331,451 | -11,739,072 | - | -48,723,113 | - | -219,793,635 |

30 June 2006

| Reconciliation of Carrying Value | Infrastructure R | Community R | Heritage R | Other R | Land R | Total R |
|--|---------------------|-------------------|----------------|-------------------|------------------|--------------------|
| Carrying values at 1 July 2005 | 53,232,932 | 20,613,198 | 604,356 | 18,383,048 | 9,925,577 | 102,759,110 |
| Cost | 185,853,782 | 30,201,302 | 604,356 | 61,376,049 | 9,925,577 | 287,961,066 |
| Accumulated impairment | - | - | - | - | - | - |
| Accumulated depreciation | -132,620,851 | -9,588,104 | - | -42,993,001 | - | -185,201,956 |
| Acquisitions | 46,598,931 | 2,105,461 | - | 5,489,137 | - | 54,193,528 |
| Capital under Construction | - | - | - | 810,038 | - | 810,038 |
| Depreciation | -13,224,997 | -1,066,814 | - | -2,429,913 | - | -16,721,724 |
| Impairment loss-recognised/reversed | - | - | - | - | - | - |
| Carrying value of disposals | - | - | - | - | - | - |
| Cost/revaluation | - | - | - | -47,932 | - | -47,932 |
| Accumulated depreciation | - | - | - | 47,932 | - | 47,932 |
| Carrying values at 30 June 2006 | 86,606,865 | 21,651,845 | 604,356 | 22,252,309 | 9,925,577 | 141,040,952 |
| Cost | 232,452,713 | 32,306,763 | 604,356 | 67,627,291 | 9,925,577 | 342,916,699 |
| Accumulated depreciation | -145,845,848 | -10,654,918 | - | -45,374,981 | - | -201,875,747 |

Refer to Appendix B for more detail on property, plant and equipment.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2006/2007 financial year due to the exemption granted in Gazette 30013. No impairment losses have been recognised in the 2006/2007 financial year also due to the exemption granted in Gazette 30013.

Included in land above are items that may meet the definition of investment property but have been included as PPE because the municipality has not finalised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135). Exemption has been granted in terms of Gazette 30013.

Included in PPE are items that may meet the definition of inventory, these items are being identified and will be transferred to inventory. Exemption has been granted in terms of Gazette 30013.

9. INVESTMENTS

| | | |
|--------------------------|----------|----------|
| Nil | - | - |
| Total Investments | - | - |

10. LONG-TERM RECEIVABLES

| | | |
|---|-------------------|-------------------|
| State Housing Selling Schemes | 1,166,710 | 1,376,035 |
| Land Sales | 25,487 | 79,692 |
| Staff Housing Loans | 86,183 | 81,154 |
| Housing Loan Debtors | 631 | 5,667 |
| | <u>1,279,011</u> | <u>1,542,548</u> |
| Less : Current Portion transferred to current receivables | 191,852 | 231,382 |
| State Housing Selling Schemes | 175,006 | 206,405 |
| Land Sales | 3,823 | 11,954 |
| Staff Housing Loans | 12,927 | 12,173 |
| Housing Loan Debtors | 95 | 850 |
| Less : Provision for Bad Debt | <u>-1,087,159</u> | <u>-1,311,166</u> |
| Total | - | - |

11. INVENTORY

| | | |
|---------------------------------|-------------------|-------------------|
| Inventory Assets | 3,298,767 | 9,424,312 |
| Less : Accumulated Depreciation | <u>-3,298,767</u> | <u>-9,424,312</u> |
| | - | - |
| Consumable Stores | 1,253,374 | 1,033,028 |
| Total Inventory | 1,253,374 | 1,033,028 |

12. CONSUMER DEBTORS

As at 30 June 2007

| | Gross Balances | Provision for Bad Debts | Net Balance |
|-----------------|-----------------------|--------------------------------|--------------------|
| Service debtors | 86,787,211 | -36,687,690 | 50,099,521 |
| Rates | 51,536,345 | -9,862,705 | 41,673,640 |
| Electricity | 22,640,172 | -14,673,923 | 7,966,249 |
| Water | - | - | - |
| Sewerage | - | - | - |
| Refuse | 12,610,694 | -12,151,062 | 459,632 |
| Housing rentals | 1,811,448 | -1,811,448 | - |
| Total | 88,598,658 | -38,499,137 | 50,099,521 |

As at 30 June 2006

| | | | |
|-----------------|-------------------|--------------------|-------------------|
| Service debtors | 83,758,363 | -34,585,429 | 49,172,934 |
| Rates | 50,199,441 | -9,451,574 | 40,747,867 |
| Electricity | 21,842,101 | -13,841,755 | 8,000,346 |
| Water | 20 | - | 20 |
| Sewerage | -780 | - | -780 |
| Refuse | 11,717,582 | -11,292,100 | 425,482 |
| Housing rentals | 1,770,682 | -1,770,682 | - |
| Total | 85,529,045 | -36,356,111 | 49,172,934 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | 2006 R |
|---|-------------------|-------------------|
| <u>Rates : Ageing</u> | | |
| Current (0 – 30 days) | -955,318 | -298,296 |
| 31 – 60 Days | 1,350,487 | 1,327,140 |
| 61 – 90 Days | 936,454 | 957,763 |
| 91 – 120 Days | 891,196 | 955,676 |
| 121+ Days | 49,313,525 | 47,257,868 |
| Total | 51,536,345 | 50,200,151 |
| <u>Electricity : Ageing</u> | | |
| Current (0 – 30 days) | 8,431,698 | 8,654,987 |
| 31 – 60 Days | 784,806 | 980,176 |
| 61 – 90 Days | 301,015 | 186,922 |
| 91 – 120 Days | 185,418 | 260,574 |
| 121+ Days | 12,937,234 | 11,759,442 |
| Total | 22,640,172 | 21,842,101 |
| <u>Refuse : Ageing</u> | | |
| Current (0 – 30 days) | 749,493 | 672,044 |
| 31 – 60 Days | 218,155 | 207,262 |
| 61 – 90 Days | 140,180 | 151,420 |
| 91 – 120 Days | 137,719 | 145,468 |
| 121+ Days | 11,365,146 | 10,541,389 |
| Total | 12,610,694 | 11,717,582 |
| The municipality did not measure revenue at fair value discounting all future receipts using an imputed rate of interest. Exemption has been granted in terms of Gazette 30013. | | |
| 13. OTHER DEBTORS | | |
| Vat Service Debtors | 4,709,520 | 4,730,661 |
| Service Debtors – Month | 5,240,793 | 5,504,464 |
| Colenso / Nkanyezi Arrears – Debtors | 11,093 | 12,018 |
| Colenso / Nkanyezi Availability Charges – Debtors | 219,320 | 219,330 |
| Legal Fees – Debtors | 1,056,135 | 770,112 |
| Credit Control Costs – Debtors | 239,509 | 225,986 |
| Uthukela District Municipality – Transfer of Water and Sewer Service | 45,395,723 | 45,206,946 |
| Sundry Debtors | 10,203,965 | 10,324,805 |
| | 67,076,058 | 66,994,322 |
| Less : Provision for Bad Debt | -54,817,508 | -56,236,535 |
| Total Other Debtors | 12,258,550 | 10,757,787 |
| 14. CALL INVESTMENT DEPOSITS | | |
| Call Deposits | 41,026,672 | 26,788,002 |
| 15. BANK, CASH AND OVERDRAFT BALANCES | | |
| The Municipality has the following bank account :- | | |
| <u>Current Account (Primary Bank Account)</u> | | |
| First National Bank – Ladysmith Branch | | |
| Account Number 52810034604 | | |
| Cash book balance at beginning of year | 20,396,394 | 280,356 |
| Cash book balance at end of year | 1,015,334 | 20,396,394 |
| Bank statement balance at beginning of year | 29,972,661 | 5,328,716 |
| Bank statement balance at end of year | 9,208,109 | 29,972,661 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | 2006 R |
|----------------------------------|-------------------|-------------------|
| 16. PROPERTY RATES | | |
| <u>Actual</u> | | |
| Residential | 55,927,854 | 51,176,076 |
| Commercial | 20,269,657 | 18,722,131 |
| State | 3,959,677 | 3,725,300 |
| Total Assessment Rates | 80,157,188 | 73,623,507 |
| | R'000 | R'000 |
| <u>Valuations</u> | | |
| Residential | 1,417,981 | 1,383,657 |
| Commercial | 896,519 | 874,817 |
| State | 200,535 | 195,681 |
| Total Property Valuations | 2,515,035 | 2,454,155 |

Valuation on land and buildings are performed every five years. The last valuation came into effect on 1 July 1997. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

A general rate of R0.1804 (2006: R0.1701) is applied to land valuations and a general rate of R0.0105 (2006: R0.0099) is applied to building valuations to determine assessment rates in the Ladysmith / Ezakheni / Steadville areas.

A general rate of R0.5844 (2006: R0.5513) is applied to land valuations to determine assessment rates in the Colenso area.

Rebates of 30% are granted to residential property owners and 20% to state properties, and a structured rebate is applicable to Ithala owned properties.

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2007 (2006: 30 June 2006). Interest at 18% per annum (2006: 18%) is levied on outstanding rates as well as a 10% (2006: 10%) collection charge two months after final date of payment.

17. SERVICE CHARGES

| | | |
|------------------------------|-------------------|-------------------|
| Sale of electricity | 84,990,293 | 81,846,809 |
| Refuse removal | 8,836,801 | 8,288,579 |
| Total Service Charges | 93,827,095 | 90,135,388 |

18. GOVERNMENT GRANTS AND SUBSIDIES

| | | |
|---|-------------------|-------------------|
| Equitable share | 34,479,577 | 27,913,923 |
| Provincial LED Projects | 151,166 | 81,852 |
| Provincial health subsidies | 2,965,794 | 3,699,977 |
| Municipal Infrastructure Grant (MIG) | 10,309,644 | 10,323,818 |
| Dept of Housing | 31,909,552 | 29,899,332 |
| Museum subsidy | 72,325 | 55,000 |
| Other – Council Assets | 2,654,555 | 8,177,042 |
| Other – Non Council Assets | 416,682 | 416,682 |
| Total Government Grant and Subsidies | 82,959,295 | 80,567,625 |

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 36 720 and less, receives a credit for their Property Rates and their monthly services account.

18.2 Provincial LED Projects

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | -36,007 | -100,406 |
| Current year receipts | 475,519 | 146,250 |
| Conditions met – transferred to revenue | -151,166 | -81,852 |
| Conditions still to be met – transferred to liabilities | 288,346 | -36,007 |

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the provincial Government

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

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R

18.3 Provincial Health Subsidies

| | | |
|--|------------|------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts – included in Health Services Vote | 2,965,794 | 3,699,977 |
| Conditions met – transferred to revenue | -2,965,794 | -3,699,977 |
| Conditions still to be met – transferred to liabilities | - | - |

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services and health inspections (included in the Health Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

18.4 Municipal Infrastructure Grant (MIG)

| | | |
|---|------------------|----------------|
| Balance unspent at beginning of year | 361,471 | 2,628,529 |
| Current year receipts | 11,744,409 | 8,056,761 |
| Conditions met – transferred to revenue | -10,309,644 | -10,323,818 |
| Conditions still to be met – transferred to liabilities | 1,796,236 | 361,471 |

This grant was used to construct roads and bridges, sportsfields and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

18.5 Department of Housing

| | | |
|---|-------------------|-------------------|
| Balance unspent at beginning of year | 22,408,866 | 42,461,456 |
| Current year receipts | 38,403,231 | 9,846,742 |
| Conditions met – transferred to revenue | -31,909,552 | -29,899,332 |
| Conditions still to be met – transferred to liabilities | 28,902,544 | 22,408,866 |

This grant was used to construct houses as part of the upgrading of informal settlement areas.

18.6 Museum subsidy

| | | |
|---|---------|---------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 72,325 | 55,000 |
| Conditions met – transferred to revenue | -72,325 | -55,000 |
| Conditions still to be met – transferred to liabilities | - | - |

This grant was used to subsidise expenses incurred solely for the museums.

18.7 Other Grants – Council Assets

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 4,421,278 | 8,187,021 |
| Current year receipts | 5,100,319 | 4,411,299 |
| Conditions met – transferred to revenue | -2,654,555 | -8,177,042 |
| Conditions still to be met – transferred to liabilities | 6,867,042 | 4,421,278 |

These grants include MAP, MSP, MSIG, FMG, GIS, LUMS, DME, IDP infrastructure development, etc.

18.8 Other Grants – Non Council Assets

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | -18,603 | -18,603 |
| Current year receipts | 677,182 | - |
| Conditions met – transferred to revenue | -416,682 | - |
| Conditions still to be met – transferred to liabilities | 241,897 | -18,603 |

These grants cover expenses from the incorporated Municipalities

18.9 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

19. EMPLOYEE RELATED COSTS

| | | |
|---|-------------------|-------------------|
| Employee related costs – Salaries and Allowances | 51,521,275 | 50,820,101 |
| Employee related costs – Contributions for UIF, pensions, medical aids and group life | 13,032,253 | 11,891,741 |
| Travel, motor car, accommodation, subsistence and other allowances | 2,477,973 | 2,817,485 |
| Housing benefits and allowances | 658,751 | 675,404 |
| Overtime & standby payments | 4,220,316 | 2,741,144 |
| Performance bonus | 65,219 | 95,897 |
| Job Creation | 3,748,904 | 2,158,714 |
| Less : Employee costs to Property, Plant and Equipment and other expenses | -33,511,342 | -20,061,950 |
| Total Employee Related Costs | 42,213,350 | 51,138,536 |

There were no advances or loans to employees.

Remuneration of the Municipal Manager

| | | |
|---------------------|----------------|----------------|
| Annual Remuneration | 648,000 | 533,754 |
| Performance Bonuses | 40,311 | 95,897 |
| Total | 688,311 | 629,651 |

Remuneration of the Chief Financial Officer

| | | |
|---|----------------|----------------|
| Annual Remuneration | 458,091 | 214,276 |
| Overtime & Standby | - | 46,764 |
| Annual Bonus | - | 17,856 |
| Housing Benefits and Allowances | - | 5,040 |
| Car Allowance | 90,474 | 103,598 |
| Telephone Allowance | - | 1,107 |
| Contributions to UIF, Medical and Pension Funds | 1,435 | 71,233 |
| Contributions to Group Life | - | 3,728 |
| Total | 550,000 | 463,602 |

Remuneration of Individual Executive Managers / Managers (HOD's)
30 June 2007

| | Economic Development (EM) | Corporate Services (M) | Governance & Transformation (EM) | Public Safety (M) |
|---|--|---------------------------------------|---|----------------------------------|
| Annual Remuneration | 384,508 | 231,675 | 488,565 | 231,675 |
| Overtime & Standby | - | 50,729 | - | 50,729 |
| Performance/Annual Bonuses | - | 19,306 | - | 19,306 |
| Housing Benefits and Allowances | - | 6,648 | - | - |
| Car Allowance | 164,057 | 103,548 | 60,000 | 106,515 |
| Telephone Allowance | - | - | - | - |
| Contributions to UIF, Medical and Pension Funds | 1,435 | 77,479 | 1,435 | 77,523 |
| Contributions to Group Life | - | 4,031 | - | - |
| Total | 550,000 | 493,417 | 550,000 | 485,749 |

30 June 2007

| | Electrical Services (EM) | Engineering Services (M) | Health Services |
|---|---|---|----------------------------|
| Annual Remuneration | 428,565 | 231,675 | - |
| Overtime & Standby | - | 50,729 | - |
| Performance Bonuses/Annual Bonuses | - | 19,306 | - |
| Housing Benefits and Allowances | - | 6,648 | - |
| Car Allowance | 120,000 | 100,228 | - |
| Telephone Allowance | - | - | - |
| Contributions to UIF, Medical and Pension Funds | 1,435 | 57,039 | - |
| Contributions to Group Life | - | - | - |
| Total | 550,000 | 465,626 | - |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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30 June 2006

| | Economic Development | Corporate Services | Governance & Transformation | Public Safety |
|---|---------------------------------|-------------------------------|--|--------------------------|
| Annual Remuneration | 214,276 | 214,276 | 214,276 | 214,276 |
| Overtime & Standby | 46,764 | 46,764 | 46,764 | 46,764 |
| Performance Bonuses/Annual Bonuses | 17,856 | 17,856 | 17,856 | 17,856 |
| Housing Benefits and Allowances | 5,040 | 5,040 | 5,040 | 5,040 |
| Car Allowance | 104,586 | 103,548 | 102,732 | 106,515 |
| Telephone Allowance | 1,107 | 1,107 | 1,107 | 1,107 |
| Contributions to UIF, Medical and Pension Funds | 46,391 | 65,183 | 47,835 | 65,183 |
| Contributions to Group Life | - | 3,728 | - | - |
| Total | 436,020 | 457,502 | 435,609 | 456,741 |

30 June 2006

| | Electrical Services | Engineering Services | Health Services |
|---|--------------------------------|---------------------------------|----------------------------|
| Annual Remuneration | 290,328 | 214,276 | 178,564 |
| Overtime & Standby | - | 46,764 | 38,970 |
| Performance Bonuses/Annual Bonuses | - | 17,856 | 17,856 |
| Housing Benefits and Allowances | - | 4,296 | 2,700 |
| Car Allowance | 212,208 | 100,228 | 77,219 |
| Telephone Allowance | - | 1,107 | 923 |
| Contributions to UIF, Medical and Pension Funds | 1,348 | 46,391 | 63,401 |
| Contributions to Group Life | - | - | - |
| Total | 503,885 | 430,918 | 379,632 |

20. REMUNERATION OF COUNCILLORS

| | | |
|--|------------------|------------------|
| Mayor | 448,097 | 354,672 |
| Deputy Mayor | 339,650 | 284,190 |
| Speaker | 316,763 | 154,923 |
| EXCO Committee Members | 1,313,718 | 1,124,852 |
| Councillors | 5,773,526 | 2,967,257 |
| Councillors' pension contribution | - | 290,761 |
| Total Councillors' Remuneration | 8,191,754 | 5,176,654 |

In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties.

21. INTEREST PAID

| | | |
|----------------------------|------------------|------------------|
| Long-term liabilities | 2,511,495 | 1,664,652 |
| Creditors | 3,220 | 2,821 |
| Bank overdrafts | - | - |
| Total Interest Paid | 2,514,716 | 1,667,473 |

22. BULK PURCHASES

| | | |
|-----------------------------|-------------------|-------------------|
| Electricity | 50,540,919 | 48,035,526 |
| Total Bulk Purchases | 50,540,919 | 48,035,526 |

23. GRANTS AND SUBSIDIES PAID

| | | |
|--|-------------------|-------------------|
| Grants paid to students | 26,500 | 54,190 |
| Grants paid to other | 1,096 | 109,244 |
| Rates Rebates | 28,793,460 | 26,142,821 |
| Total Grants and Subsidies Paid | 28,821,055 | 26,306,255 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | 2006 R |
|---|-------------------|-------------------|
| 24. CASH GENERATED BY OPERATIONS | | |
| Surplus/(Deficit) for the year | 35,575,942 | 38,482,050 |
| Adjustment for:- | | |
| Non-Operating Income | 7,508,202 | 9,513,967 |
| Non-Operating Expenditure | -4,337,701 | -3,686,497 |
| Adjustments in Respect of Previous Years & Appropriations | -32,193,371 | -33,349,243 |
| Depreciation | 17,506,123 | 16,721,724 |
| Contribution to staff leave accrual | 2,120,651 | 764,077 |
| Contribution to bad debt provision | 14,342,616 | 20,470,156 |
| Investment income | -3,831,216 | -4,069,940 |
| Interest paid | 2,514,716 | 1,667,473 |
| Operating surplus before working capital changes: | 39,205,960 | 46,513,766 |
| (Increase)/decrease in inventories | -220,346 | -13,704 |
| (Increase)/decrease in debtors | -926,586 | 316,864 |
| (Increase)/decrease in other debtors | -1,500,763 | -1,236,367 |
| (Decrease)/increase in conditional grants and receipts | 10,959,060 | -26,020,992 |
| (Decrease)/increase in creditors | 1,530,950 | 2,258,224 |
| (Decrease)/increase in provisions | - | - |
| (Decrease)/increase in VAT | -134,729 | -935,556 |
| Cash generated by operations | 48,913,545 | 20,882,236 |

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

| | | |
|--|------------------|-------------------|
| Bank balance | 1,015,334 | 20,396,394 |
| Total cash and cash equivalents | 1,015,334 | 20,396,394 |

26. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

26.1 Contributions to organised local government

| | | |
|---|----------|----------|
| Opening balance | - | - |
| Council subscriptions | 333,723 | 330,000 |
| Amount paid – current year | -333,723 | -330,000 |
| Amount paid – previous years | - | - |
| Balance unpaid (included in creditors) | - | - |

26.2 Audit Fees

| | | |
|---|----------|----------|
| Opening balance | - | - |
| Current year audit fee | 708,697 | - |
| Amount paid – current year | -708,697 | - |
| Amount paid – previous years | - | - |
| Balance unpaid (included in creditors) | - | - |

26.3 VAT

All VAT returns have been submitted by the due date throughout the year.

26.4 PAYE and UIF

| | | |
|---|-------------|------------|
| Opening balance | - | - |
| Current year payroll deductions | 11,888,746 | 7,055,820 |
| Amount paid – current year | -11,888,746 | -7,055,820 |
| Amount paid – previous years | - | - |
| Balance unpaid (included in creditors) | - | - |

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

26.5 Pension and Medical Aid Deductions

| | | |
|---|-------------|-------------|
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 18,727,140 | 15,297,972 |
| Amount paid – current year | -18,727,140 | -15,297,972 |
| Amount paid – previous years | - | - |
| Balance unpaid (included in creditors) | - | - |

27. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

– Approved but not yet contracted for

Infrastructure

13,804,039 6,113,100

Community

3,191,713 1,740,417

Heritage

- -

Other

3,913,156 -

Housing Development Fund

- -

Investment Properties

- -

Total

20,908,908 7,853,517

This expenditure will be financed from:

– External Loans

6,725,908 7,853,517

– Capital Replacement Reserve

- -

– Government Grants

14,183,000 -

– Own Resources

- -

20,908,908 7,853,517

28. RETIREMENT BENEFIT INFORMATION

Natal Joint Municipal Pension Fund (Superannuation)

The latest statutory valuation of the Superannuation Fund at 31 March 2005 revealed a fund deficit with a recommendation that the surcharge be increased from 3% to 6% which would contribute to meeting the deficit. A interim valuation carried out at 31 March 2006 concluded that should the surcharge of 6% be retained for the year to 30 June 2007 and thereafter at 4.5% until 30 June 2008, the deficit should be eliminated within two years.

Natal Joint Municipal Pension Fund (Retirement)

The latest statutory valuation of the Retirement Fund as at 31 March 2006 reflected a fund deficit of R204.3 million. The total contribution rate payable, including the total surcharge of 14% will eliminate the deficit by the year 2010.

Natal Joint Municipal Provident Fund

The latest statutory valuation of the Provident Fund at 31 March 2006 revealed that the Fund as at 31 March 2006 was in a sound financial position.

29. IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance:

Description

– Secondment of International Finance Advisor by National Treasury for 3 years.

30. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

The following Councillor's had arrear rates / services accounts 90 days+ outstanding during the financial year :-

30 June 2007

| | |
|------------------------|----------------------|
| Councillor BB Biyela | 12,857 |
| Councillor GLS Mokoena | 2,357 |
| Total | <u>15,214</u> |

30 June 2006

| | |
|------------------------|----------------------|
| Councillor M Msthal | 58 |
| Councillor BB Biyela | 9,749 |
| Councillor FW Dladla | 5,653 |
| Councillor NE Makhaza | 51 |
| Councillor GS Nkosi | 626 |
| Councillor ZJ Dladwa | 882 |
| Councillor BV Ramdaas | 1,869 |
| Councillor T Msomi | 2,388 |
| Councillor GLS Mokoena | 7,715 |
| Total | <u>28,991</u> |

31. RELATED PARTIES

There are no known related parties

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

| EXTERNAL LOANS | | | | Balance at 30 June 2006 | Received | Redeemed or Written Off | Balance at 30 June 2007 |
|---|----------------------|------------------|-------------------|------------------------------------|-----------------|------------------------------------|------------------------------------|
| | | | | R | R | R | R |
| LONG-TERM LOANS | Interest Rate | Loan Ref. | Redeemable | | | | |
| F.N.B. | 17.88% | F2 | June 2008 | 2,335,507 | – | 1,063,198 | 1,272,309 |
| Umsekeli | 9.00–12.00% | U1 | Sept 2007 | 1,562,500 | – | 1,250,000 | 312,500 |
| Absa Bank – Tsakane Electrification | 9.10% | A1 | Feb 2026 | 6,321,679 | – | 120,044 | 6,201,635 |
| F.N.B. – Capital Expenditure | 9.10% | F3 | Feb 2016 | 15,752,156 | – | 1,053,183 | 14,698,973 |
| Total Long-Term Loans | | | | 25,971,842 | – | 3,486,425 | 22,485,418 |
| GOVERNMENT LOANS | | | | | | | |
| Receiver of Revenue – Housing Vat Debtors | | | | 26,714 | – | 15,103 | 11,611 |
| Total Government Loans | | | | 26,714 | – | 15,103 | 11,611 |
| TOTAL EXTERNAL LOANS | | | | 25,998,556 | – | 3,501,527 | 22,497,029 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | Carrying Value | Budget Additions 2007 |
|-------------------------|--------------------|-------------------|--------------------|----------------|--------------------|--------------------------|-------------------|-----------------|--------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | | |
| Infrastructure | | | | | | | | | | | |
| Electricity | 56,646,881 | 5,190,162 | - | - | 61,837,043 | 26,891,216 | 2,428,800 | - | 29,320,016 | 32,517,027 | 181,767 |
| Roads | 170,646,526 | 23,223,447 | - | - | 193,869,973 | 114,937,335 | 10,503,039 | - | 125,440,374 | 68,429,599 | 10,425,611 |
| Gas | 14,098 | - | - | - | 14,098 | 14,098 | - | - | 14,098 | - | - |
| Sewerage | 155,854 | - | - | - | 155,854 | 14,599 | 1,002 | -132,246 | 147,846 | 8,008 | - |
| Pedestrian Malls | 1,263,501 | - | - | - | 1,263,501 | 871,381 | 60,748 | - | 932,129 | 331,372 | - |
| Airports | 656,342 | - | - | - | 656,342 | 566,603 | 31,926 | - | 598,529 | 57,813 | - |
| Security Measures | 2,381,566 | 293,730 | - | - | 2,675,296 | 2,295,293 | 35,052 | - | 2,330,345 | 344,950 | 61,350 |
| Water | 377,798 | - | - | - | 377,798 | 97,444 | - | -280,354 | 377,798 | - | - |
| Other | 310,136 | - | - | - | 310,136 | 157,868 | 12,447 | - | 170,315 | 139,821 | - |
| | 232,452,702 | 28,707,340 | - | - | 261,160,041 | 145,845,836 | 13,073,015 | -412,600 | 159,331,451 | 101,828,591 | 10,668,728 |
| Community Assets | | | | | | | | | | | |
| Land & Buildings | 28,738,900 | 1,556,702 | - | - | 30,295,601 | 8,861,910 | 925,048 | - | 9,786,958 | 20,508,643 | 4,093,008 |
| Recreation Facilities | 3,567,874 | 368,815 | - | - | 3,936,689 | 1,793,020 | 159,094 | - | 1,952,113 | 1,984,576 | 300,000 |
| | 32,306,774 | 1,925,517 | - | - | 34,232,291 | 10,654,930 | 1,084,142 | - | 11,739,072 | 22,493,219 | 4,393,008 |
| Heritage Assets | | | | | | | | | | | |
| Buildings | 604,356 | - | - | - | 604,356 | - | - | - | - | 604,356 | - |
| | 604,356 | - | - | - | 604,356 | - | - | - | - | 604,356 | - |
| Other Assets | | | | | | | | | | | |
| Land & Buildings | 23,242,565 | 7,979 | - | 1,563 | 23,248,981 | 11,214,111 | 663,531 | 834 | 11,876,808 | 11,372,173 | 1,602,942 |
| Office Equipment | 10,132,030 | 278,242 | - | - | 10,410,273 | 9,128,835 | 325,956 | - | 9,454,791 | 955,481 | - |
| Furniture & Fittings | 1,730,301 | - | - | - | 1,730,301 | 1,390,008 | 122,055 | - | 1,512,063 | 218,239 | - |
| Bins & Containers | 1,029,670 | 238,136 | - | - | 1,267,805 | 315,695 | 88,899 | - | 404,595 | 863,211 | 276,074 |
| Emergency Equipment | 320,341 | - | - | - | 320,341 | 250,809 | 10,537 | - | 261,347 | 58,994 | - |
| Motor Vehicles | 8,392,540 | 6,231,476 | - | - | 14,624,015 | 5,284,092 | 915,867 | - | 6,199,960 | 8,424,056 | 148,053 |
| Plant & Equipment | 16,793,230 | 7,268,347 | - | - | 24,061,577 | 12,810,183 | 1,048,098 | - | 13,858,281 | 10,203,296 | 12,349,700 |
| Other | 5,986,613 | 95,419 | - | - | 6,082,032 | 4,981,248 | 174,021 | - | 5,155,269 | 926,763 | 1,349,693 |
| | 67,627,290 | 14,119,598 | - | 1,563 | 81,745,326 | 45,374,981 | 3,348,966 | 834 | 48,723,113 | 33,022,213 | 15,726,462 |
| Land Assets | | | | | | | | | | | |
| Vacant Land | 9,925,577 | 6,709,700 | - | 823,600 | 15,811,677 | - | - | - | - | 15,811,677 | - |
| | 9,925,577 | 6,709,700 | - | 823,600 | 15,811,677 | - | - | - | - | 15,811,677 | - |
| Total | 342,916,698 | 51,462,155 | - | 825,163 | 393,553,690 | 201,875,747 | 17,506,123 | -411,765 | 219,793,635 | 173,760,055 | 30,788,198 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

| | Cost | | | | | Accumulated Depreciation | | | | Carrying Value |
|-----------------------------------|--------------------|-------------------|--------------------|----------------|--------------------|--------------------------|-------------------|-----------------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| Municipal Manager | 112,599 | - | - | - | 112,599 | 112,599 | - | - | 112,599 | - |
| Finance Management and Leadership | 9,128,491 | 85,988 | - | - | 9,214,479 | 8,844,525 | 101,320 | - | 8,945,845 | 268,634 |
| Mayoral | 878 | - | - | - | 878 | 527 | 29 | - | 556 | 321 |
| Community Services | 23,972,258 | 540,780 | - | - | 24,513,038 | 8,770,851 | 784,527 | - | 9,555,379 | 14,957,659 |
| Admin and Valuation | 2,378,817 | 884,873 | - | - | 3,263,690 | 1,990,042 | 237,492 | - | 2,227,534 | 1,036,157 |
| Council General | 14,969,392 | 6,805,119 | - | 823,600 | 20,950,911 | 5,308,769 | 385,833 | - | 5,694,602 | 15,256,309 |
| Corporate Services | 164,549 | 53,612 | - | - | 218,161 | 26,679 | 29,656 | - | 56,335 | 161,826 |
| Be Housing / Building Control | 13,127,609 | 8,576,554 | - | - | 21,704,164 | 9,051,960 | 1,122,837 | -268,566 | 10,443,363 | 11,260,801 |
| Public Works | 173,013,079 | 24,105,909 | - | - | 197,118,988 | 115,751,292 | 10,507,141 | -144,034 | 126,402,467 | 70,716,521 |
| Development & Planning | 193,551 | 490,660 | - | - | 684,211 | 46,155 | 53,035 | - | 99,190 | 585,021 |
| Admin and Environmental Health | 1,921,579 | 2,487,060 | - | - | 4,408,639 | 1,184,674 | 104,083 | - | 1,288,757 | 3,119,883 |
| Clinics | 1,531,519 | - | - | - | 1,531,519 | 760,335 | 59,792 | - | 820,127 | 711,392 |
| Parks & Gardens | 7,602,187 | 653,715 | - | - | 8,255,901 | 3,123,680 | 210,781 | - | 3,334,461 | 4,921,441 |
| Protection Services & Traffic | 6,278,567 | 838,021 | - | - | 7,116,588 | 4,460,002 | 373,381 | - | 4,833,383 | 2,283,206 |
| Fire Brigade | 4,857,732 | - | - | - | 4,857,732 | 1,977,168 | 156,656 | - | 2,133,825 | 2,723,907 |
| Environmental Hygiene | 4,969,672 | 531,866 | - | - | 5,501,537 | 1,883,423 | 292,099 | - | 2,175,522 | 3,326,015 |
| Real Estate and Housing | 16,400,128 | - | - | 1,563 | 16,398,565 | 8,515,299 | 510,337 | 834 | 9,024,802 | 7,373,763 |
| Electricity Service | 62,294,092 | 5,407,997 | - | - | 67,702,089 | 30,067,771 | 2,577,121 | - | 32,644,891 | 35,057,198 |
| TOTAL | 342,916,699 | 51,462,155 | - | 825,163 | 393,553,691 | 201,875,749 | 17,506,123 | -411,765 | 219,793,637 | 173,760,054 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2007

| 2006 Actual Income R | 2006 Actual Expenditure R | 2006 Surplus / (Deficit) R | | 2007 Actual Income R | 2007 Actual Expenditure R | 2007 Surplus / (Deficit) R |
|---|--|---|-----------------------------------|---|--|---|
| - | 143,953 | -143,953 | Municipal Manager | - | 180,423 | -180,423 |
| 529,182 | 8,809,250 | -8,280,068 | Admin and Valuation | 308,152 | 7,389,794 | -7,081,642 |
| 150,415,656 | 86,827,412 | 63,588,245 | Council General | 161,609,295 | 106,875,270 | 54,734,024 |
| 489,049 | 3,785,282 | -3,296,233 | Corporate Services | 463,760 | -375,875 | 839,636 |
| 2,290,216 | 5,736,894 | -3,446,677 | IT Management & Leadership | 2,103,030 | 3,702,486 | -1,599,456 |
| 275,788 | 15,424,165 | -15,148,376 | Public Works | 340,512 | 19,722,194 | -19,381,681 |
| 274,936 | 2,791,743 | -2,516,807 | Development & Planning | -112,923 | 4,245,919 | -4,358,842 |
| 4,261,633 | 13,256,312 | -8,994,679 | Admin And Environmental Health | 3,679,293 | 16,953,916 | -13,274,623 |
| 6,705,384 | 12,251,047 | -5,545,663 | Protection Services & Traffic | 7,356,263 | 14,137,544 | -6,781,281 |
| - | 258,258 | -258,258 | Mechanical Workshop | - | 800,900 | -800,900 |
| 344,852 | 3,021,609 | -2,676,758 | Real Estate and Housing | 232,841 | 3,332,307 | -3,099,466 |
| 13,626,609 | 11,003,061 | 2,623,548 | Environmental Hygiene | 13,808,801 | 14,513,893 | -705,092 |
| 85,685,099 | 73,661,570 | 12,023,528 | Electricity Service | 89,197,093 | 74,411,264 | 14,785,829 |
| 264,898,405 | 236,970,555 | 27,927,850 | Sub Total | 278,986,117 | 265,890,035 | 13,096,082 |
| - | -10,554,200 | 10,554,200 | Less : Inter-Departmental Charges | - | -22,479,860 | 22,479,860 |
| 264,898,405 | 226,416,355 | 38,482,050 | Total | 278,986,117 | 243,410,175 | 35,575,942 |

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

| REVENUE | <u>2007 Actual R</u> | <u>2007 Budget R</u> | <u>2007 Variance R</u> | <u>2007 Variance %</u> | <u>Explanation of Significant Variances greater than 10% versus Budget</u> |
|--|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|--|
| Property rates | 80,157,188 | 78,264,980 | 1,892,208 | -2.42 | |
| Property rates – penalties and collection charges | 6,306,086 | 6,675,282 | -369,196 | 5.53 | |
| Service charges | 93,827,095 | 98,013,509 | -4,186,414 | 4.27 | |
| Interest earned – external investments | 1,708,015 | 140,434 | 1,567,581 | -1116.24 | This income cannot be budgeted for accurately as it is dependent on cash flow for investing of surplus funds. |
| Interest earned – outstanding debtors | 2,123,201 | 2,276,366 | -153,165 | 6.73 | |
| Fines | 3,095,037 | 2,134,846 | 960,191 | -44.98 | Additional fines raised and income received. |
| Licences and permits | 3,822,440 | 3,371,802 | 450,638 | -13.36 | Increase in number of persons obtaining Drivers Licences. |
| Government grants and subsidies | 82,959,295 | 38,460,747 | 44,498,548 | -115.70 | Only the actual monies received from grants is reflected and the budget amount is not included. |
| Other income | 4,987,760 | 11,183,461 | -6,195,701 | 55.40 | Sale of land income is not reflected as the transfer of property has not taken place. Refer creditors |
| Public contributions, donated and contributed PPE | - | - | - | 0.00 | |
| Gains on Disposal of property, Plant and Equipment | - | - | - | 0.00 | |
| Total Revenue | 278,986,117 | 240,521,427 | 38,464,690 | -15.99 | |
| EXPENDITURE | | | | | |
| Employee related costs | 42,213,350 | 36,805,163 | 5,408,187 | -14.69 | Charge-outs for the financial year were relatively low in comparison to budget. |
| Remuneration of Councillors | 8,191,754 | 8,188,968 | 2,786 | -0.03 | |
| Bad debts | 10,512,486 | 11,219,907 | -707,421 | 6.31 | |
| Depreciation | 17,506,123 | 2,883,695 | 14,622,428 | -507.07 | This includes depreciation for grant funded assets which is not budgeted for in the operational budget. |
| Repairs and maintenance | 8,252,271 | 22,952,373 | -14,700,102 | 64.05 | In most instances repairs and maintenance to council assets have extended the useful life of the asset and thus this expenditure has been transferred to assets. |
| Interest paid | 2,514,716 | 2,586,219 | -71,503 | 2.76 | |
| Bulk purchases | 50,540,919 | 50,945,190 | -404,271 | 0.79 | |
| Grants and subsidies paid | 28,821,055 | 27,291,154 | 1,529,901 | -5.61 | |
| Grant Expenses | 35,949,541 | - | 35,949,541 | N/A | Only the actual monies expended from grants is reflected and the budget amount is not included. |
| General expenses | 38,907,961 | 55,144,082 | -16,236,121 | 29.44 | Large savings on Cove Crescent Development and Rates Property Act expenditure. |
| Total Expenditure | 243,410,175 | 218,016,751 | 25,393,424 | -11.65 | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | 35,575,942 | 22,504,676 | 13,071,266 | -58.08 | |

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

| | Housing Development Fund | Capital Replacement Reserve | Capitalisation Reserve | Government Grant Reserve | Donations and Public Contribution Reserve | Accumulated Surplus/ (Deficit) | Total |
|--|--------------------------------|-----------------------------------|---------------------------|--------------------------------|--|--------------------------------------|--------------------|
| | R | R | R | R | R | R | R |
| 2006 | | | | | | | |
| Balance at 1 July 2005 | 10,852,224 | - | 38,514,835 | 55,415,092 | 169,907 | 23,478,254 | 128,430,312 |
| Surplus/(deficit) for the year | - | - | - | - | - | 38,482,050 | 38,482,050 |
| Prior Year Adjustments | - | - | - | - | - | -3,399,120 | -3,399,120 |
| Transfer to CRR | - | 19,969,317 | - | - | - | -19,969,317 | - |
| Property, plant and equipment purchased | - | -19,969,317 | - | - | - | 19,969,317 | - |
| Capital grants used to purchase PPE | - | - | - | 22,616,460 | - | -22,616,460 | - |
| Grants used for Non-Council Assets – LED / Housing | - | - | - | - | - | - | - |
| Donated/contributed PPE | - | - | - | - | - | - | - |
| Transfer to Housing Development Fund | -3,652,498 | - | - | - | - | - | -3,652,498 |
| Asset disposals to District Municipality | - | - | - | - | - | - | - |
| Offsetting of depreciation | - | - | -4,359,552 | -8,742,941 | -34,000 | 13,136,493 | - |
| Balance at 30 June 2006 | 7,199,726 | - | 34,155,283 | 69,288,611 | 135,907 | 49,081,217 | 159,860,744 |
| 2007 | | | | | | | |
| Balance at 1 July 2006 | 7,199,726 | - | 34,155,283 | 69,288,611 | 135,907 | 49,081,217 | 159,860,744 |
| Surplus /(deficit) for the year | - | - | - | - | - | 35,575,942 | 35,575,942 |
| Prior Year Adjustments | - | - | - | - | - | -16,306,593 | -16,306,593 |
| Transfer to CRR | - | 26,215,746 | - | - | - | -26,215,746 | - |
| Property, plant and equipment purchased | - | -26,215,746 | - | - | - | 26,215,746 | - |
| Capital grants used to purchase PPE | - | - | - | 12,457,853 | - | -12,457,853 | - |
| Grants used for Non-Council Assets – LED / Housing | - | - | - | - | - | - | - |
| Donated/contributed PPE | - | - | - | - | - | - | - |
| Transfer to Housing Development Fund | 2,346,967 | - | - | - | - | - | 2,346,967 |
| Asset disposals to District Municipality | - | - | - | -407,262 | - | - | -407,262 |
| Offsetting of depreciation | - | - | -4,303,701 | -8,730,640 | -34,000 | 13,034,341 | -34,000 |
| Balance at 30 June 2007 | 9,546,693 | - | 29,851,582 | 72,608,562 | 101,907 | 68,927,054 | 181,035,798 |

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|---|--|--------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|------------------|-------------------|--|---------------------------|
| | | Sept | Dec | March | June | Sept | Dec | March | June | Yes / No | |
| Equitable Share | National Government | 9,170,824 | 7,001,894 | 11,332,859 | | | | | | Yes | |
| Equitable Share – Ezakheni Salaries | National Government | 1,618,000 | 1,618,000 | 1,618,000 | | | | | | Yes | |
| Central Government Councillor Allowances | National Government | 706,667 | | 1,413,333 | | | | | | Yes | |
| Museum Subsidy | Provincial Government | | | | 72,325 | | | | | Yes | |
| Nurses Salaries | Provincial Government | 958,997 | 917,854 | 1,088,944 | | | | | | Yes | |
| Dept of Housing – Umbulwane 1 | Dept of Housing | 2,855,363 | | | | 382,062 | 161,898 | | | Yes | |
| Dept of Housing : Colenso | Dept of Housing | | | 3,095 | | | 26,002 | | | Yes | |
| Dept of Housing : Diamana Flats | Dept of Housing | | | | | 46,894 | | | | Yes | |
| Dept of Housing : Ezakheni | Dept of Housing | | 211,373 | | | 415,962 | 161,763 | | | Yes | |
| Dept of Housing : Ezakheni C Section | Dept of Housing | | 109,299 | 1,100,404 | | | | | 402,238 | Yes | |
| Dept of Housing : Limit Hill | Dept of Housing | | | | | 118,668 | | | | Yes | |
| Dept of Housing : Nkanyenzi Hostel | Dept of Housing | | | | 446,138 | | 506,262 | | | Yes | |
| Dept of Housing : Ntombis Camp | Dept of Housing | 1,432,493 | 729,731 | 145,291 | 212,654 | | | | | Yes | |
| Dept of Housing : Roosboom | Dept of Housing | | | | | 92,202 | 107,569 | 30,734 | 76,835 | Yes | |
| Dept of Housing : St Chads Rural Housing Development | Dept of Housing | | | | | 92,752 | | 193,494 | 4,735,435 | Yes | |
| Dept of Housing : St Chads Urban Housing Development | Dept of Housing | 4,735,435 | 10,767,700 | 12,618,531 | | 668,445 | 7,941,127 | 5,763,687 | 6,143,678 | Yes | |
| Dept of Housing : Steadville Area E | Dept of Housing | | | 3,481,861 | | | 287,846 | | | Yes | |
| Dept of Housing : Steadville Hostel | Dept of Housing | | | | | 60,962 | 60,124 | | | Yes | |
| Inkanyenzi/Colenso 205 Sites | Dept of Housing | | | | | 245,498 | 85,228 | 24,975 | | Yes | |
| Peacetown / Driefontein Disaster | Dept of Housing | | | | | | | | 211,373 | Yes | |
| Donations Sports Event | Donors | | 4,853 | | | | | | | Yes | |
| Donations Surveillance Camera | Donors | | | | | | | | 750 | Yes | |
| Heritage Day Sponsorship | Donors | | 45,000 | 31,000 | | | 32,947 | 12,000 | 24,744 | Yes | |
| Mayoral African Renaissance | Donors | | | | 66,500 | | | | 32,900 | Yes | |
| Mayors Donations | Donors | | | 305,000 | | | | | 36,764 | Yes | |
| State of the Municipal Address | Donors | | | | 95,000 | | | | | Yes | |
| Flanders Pilot Project Housing | Flanders Govt | | | | | 35,698 | 9,590 | | | Yes | |
| Aloe & Berg Tea Project | Cijima – European Union | | | 421,438 | 6,201 | | | 4 | 142,202 | Yes | |
| Budget Reform Grant EC34/5/2003 | National Government | 1,000,000 | | | | 26,249 | 28,691 | 27,448 | 30,604 | Yes | |
| D M E Allocation | National Government | | | 2,000,000 | | | 48,258 | 140,552 | 698,175 | Yes | |
| M I G – 10 Hi mast lights – Ezakheni, Roosboom, Colenso, Steadville | National Government | | | | | 624 | 1,393 | 144,390 | 761,504 | Yes | |
| M I G – Income | National Government | 750,000 | 2,750,000 | 2,794,102 | 5,450,307 | | | | | Yes | |
| M I G – Low Water Crossing | National Government | | | | | | | 4,654 | 1,372,418 | Yes | |
| M I G – Pedestrian bridge Matondwane to Watersmeet | National Government | | | | | 342,695 | | 39,240 | 252,464 | Yes | |
| M I G – Pedestrian bridge Ndomba Cem to Umbulwane | National Government | | | | | | | 58,223 | 258,251 | Yes | |
| M I G – Pedestrian bridge Watershed to Driefontein | National Government | | | | | 306,345 | | 23,262 | 252,464 | Yes | |
| M I G – Project Management Unit | National Government | | | | | 8,362 | 12,542 | 13,808 | 16,723 | Yes | |
| M I G – Upgrade Rural Areas | National Government | | | | | 635,052 | 269,910 | 1,004 | 3,058,292 | Yes | |
| M I G – Upgrade Sportfields | National Government | | | | | 767 | 135,769 | | 232,279 | Yes | |
| M I G – Urban Roads | National Government | | | | | 630,788 | 774,935 | 328,466 | 41,777 | Yes | |
| M I G – Pedestrian bridge Mbabantu River | National Government | | | | | 62,507 | 177,863 | 90,875 | | Yes | |
| Area J Steadville Electrification | Provincial Government | | | | | | 1,196 | 4,364 | 84,070 | Yes | |
| C M I P – Ezakheni Roads | Provincial Government | | | | | | | | 743 | Yes | |
| Community Development Workers | Provincial Government | | | | | 368 | 2,967 | 23,841 | 26,932 | Yes | |
| Community Hall – Emakhukwini | Provincial Government | | | | 43,108 | | | | | Yes | |
| Cross Sectional Theme Project | Provincial Government | | | | 8 | | | | | Yes | |
| Development Admin / Capacity Building | Provincial Government | | 100,000 | | | | 1,026 | 96,037 | | Yes | |
| G I S – Town Planning Grant | Provincial Government | | 50,000 | | | | | 1,134 | | Yes | |
| I D P Interim | Provincial Government | | 6,651 | | | | | | 52,155 | Yes | |
| I D P Support | Provincial Government | | 50,000 | | | | | | 15,117 | Yes | |
| I D P Support – Consultant | Provincial Government | | | | 193,914 | | | | 119,659 | Yes | |
| Integration with REDS | Provincial Government | | | | 150,000 | | | | | Yes | |
| L E D – Cleaning Up Campaign | Provincial Government | | | | | 2,223 | 2,564 | 2,180 | 1,614 | Yes | |
| L E D – Economic Development Tourism | Provincial Government | | | | | | | | 247 | Yes | |
| L E D – Fresh Produce Market | Provincial Government | | | | | | | 379 | | Yes | |
| L E D – Tourism Development | Provincial Government | | | | 47,880 | | | | | Yes | |
| Land Acquisition Town Planning | Provincial Government | | | | | | | | 125,200 | Yes | |
| Land Use Management System | Provincial Government | | | | | | 95,419 | | | Yes | |
| Limit Hill Electrification | Provincial Government | | | | | | 865 | 56 | | Yes | |
| Multipurpose Centre : Abantungwakholwa | Provincial Government | | | | | | 89,908 | 144,094 | | Yes | |
| Municipal Performance Management | Provincial Government | | 50,000 | | | | | 5,130 | 17,811 | Yes | |
| Municipal Systems Improvement Grant (Property Rates Act) | Provincial Government | | 734,000 | | | | 734,000 | | | Yes | |
| Ntombis Camp Electrification | Provincial Government | | | | | 1,865,415 | 390,141 | 194,933 | 581,435 | Yes | |
| Outstanding Debtors Colenso | Provincial Government | | | | | 3,982 | | | | Yes | |
| Social Empowerment Funding Councillors | Provincial Government | | | | 171 | | | | | Yes | |
| Spatial Planning (LUMS) | Provincial Government | | 50,000 | | | | | | | Yes | |
| Technical Support Grant | Provincial Government | | | | 500,000 | | | | | Yes | |
| Training – First Aid | Provincial Government | | | | | | | | 549 | Yes | |
| Upgrade Stormwater Steadville Area D | Provincial Government | | | | | | 2,742 | 58,440 | 3,550 | Yes | |
| System Strengthening Electricity | Public | | | | 172,637 | | | | 1,113 | Yes | |
| SETA / Community Development Workers | SETA | | | | 129,658 | | | | | Yes | |
| Job Evaluation – External Funding | Various Municipalities | | | | | 2,962 | 1,842 | 445 | 1,817 | Yes | |
| | | 23,227,779 | 25,196,355 | 38,353,858 | 7,586,502 | 6,047,483 | 12,152,387 | 7,427,849 | 19,813,881 | | |
| | | | | | 94,364,494 | | | | 45,441,599 | | |

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNEXURE A
ADDITIONAL DISCLOSURES IN THE ANNUAL FINANCIAL STATEMENTS

Preparation of Annual Financial Statements based on Exemption Gazette 30013 dated 29 June 2007 where applicable

| Financial Reporting Standard | Extent of Exemption from Standard | Progress made by the Municipality with complying with exemptions | Adjustments to the Annual Financial Statements for full compliance with the exemptions |
|---|--|---|---|
| Property, plant and equipment (GRAP 17) | Review of useful life of items of PPE recognised in the annual financial statements (paragraphs 59 - 61, and 77) | The municipality has entered into an agreement with DPLGTA to assist in developing an asset management plan in undertaking the review of all council assets | The values of assets will be restated and all assets accounted for, applying reviewed depreciation methods. |
| | Review of depreciation method applied to PPE recognised in the annual financial statements (paragraphs 62 and 77) | As above | As above |
| | Impairment of non-cash-generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi)) | As above | As above |
| | Impairment of cash-generating assets (paragraphs 63 and 75(e)(v) (vii)) | As above | As above |
| Impairment of Assets (IAS 36/AC 128) | Entire Standard | As above | As above |
| Inventories (GAMAP 12) | The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17 | As above | As above |
| Investment Property (IAS 40/AC 135) | The entire standard to the extent that the property is accounted for in terms of GAMAP 17 | As above | As above |
| | Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard (paragraphs 79(e)(l) - (iii)) | As above | As above |
| Employee Benefits (IAS 19/AC 116) | Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48 - 119, 120A© - (q)) | Post-retirement benefits in terms of healthcare have been limited to employees 50 years and older as at 1 January 2005 and having completed a minimum service period. At this stage there are approximately 30 employees that qualify for this benefit. | A provision for post-retirement benefit will have to be made in the annual financial statements. |
| Revenue (GAMAP 9) | Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12) | An analysis of all trade receivables is currently being undertaken. | Adjustment in terms of provision for doubtful debt. |
| Financial Instruments: Disclosures (IAS 39/AC 133) | Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG64 and AG 65 of IAS 39/AC 133) | An analysis of all financial assets and financial liabilities is currently being undertaken. | Adjustments in terms of assets and liabilities where applicable. |
| Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142) | Classification, measurement and disclosure of non-current assets held for sale. (paragraphs 6 - 14, 15 - 29 (in so far as it relates to non-current assets held for sale), 38 - 42) | Will be undertaken with the revaluation of assets as referred to above. | Re-stating of asset values in the Annual Financial Statements |